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Indonesia

Sugar

Annual

2005

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Report Highlights:

Sugarcane production is forecast to decline marginally to about 25.5 million tons in 2005/06. Similarly, cane sugar output is forecast to decline to 1.8 million tons in 2005/06. Sugar consumption is forecast to grow moderately to 3.8 million tons in 2005/06. Sugar imports are forecast at approximately 1.8 million tons for 2005/06. The GOI has yet to announce any major changes in the sector, notwithstanding the continued status of "strategic commodity" for sugar.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Jakarta [ID1]
[ID]

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General Summary

The Indonesian sugar industry faces numerous obstacles. Smallholder farmers, who lack the resources to invest for increased productivity, dominate sugarcane production. Furthermore, the milling sector, largely GOI owned, is inefficient and requires significant investment to attain any sort of business viability. Because of these fundamental problems, sugarcane yields and production and recovery rates are forecast to decline in 2005/06. Sugarcane production is estimated to decline marginally to 25.5 million tons in 2005/06.

Optimal growing conditions (wet during growing season and dry during maturity), timely harvest, and millings boosted the sugar recovery rate for the 2004/05 crop to about 7.7 percent. For the forecast year recovery is expected to decline to about 7.0 percent.

Despite relatively high retail prices for sugar at the retail level: Rp. 4,300/kg (US\$ 462/MT) in 2004 and Rp. 5,265/kg (US\$ 566/MT) in the first quarter of 2005, consumption is forecast to increase to 3.8 million tons in 2005/06. Total imports for 2006 are forecast at 1.8 million tons raw value to meet growing demand from industrials and domestic consumption.

Sugar Cane for Centrifugal

PSD Table						
Country	Indonesia					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		05/2003		05/2004		05/2005
Area Planted	375	375	0	360	0	375
Area Harvested	350	350	0	345	0	350
Production	25600	25600	0	26750	0	25500
TOTAL SUPPLY	25600	25600	0	26750	0	25500
Utilization for Sugar	25600	25600	0	26750	0	25500
Utilization for Alcohol	0	0	0	0	0	
TOTAL UTILIZATION	25600	25600	0	26750	0	25500

Note: Unit in 1,000 Ha. and 1,000 MT.

Data in the "Old" column reflect FAS/Washington data. For Post's previous PS&D refer to report ID4014.

Centrifugal Sugar

PSD Table						
Country	Indonesia					
Commodity	Sugar, Centrifugal				(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		05/2003		05/2004		05/2005
Beginning Stocks	1340	1340	1170	1170	970	1120
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1730	1730	1950	2050	0	1800
TOTAL Sugar Production	1730	1730	1950	2050	0	1800
Raw Imports	900	900	950	800	0	800
Refined Imp.(Raw Val)	600	600	400	650	0	1000
TOTAL Imports	1500	1500	1350	1450	0	1800
TOTAL SUPPLY	4570	4570	4470	4670	970	4720
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	0	0	0	0	0	0
Human Dom. Consumption	3400	3400	3500	3550	0	3800
Other Disappearance	0	0	0	0	0	0
Total Disappearance	3400	3400	3500	3550	0	3800
Ending Stocks	1170	1170	970	1120	0	920
TOTAL DISTRIBUTION	4570	4570	4470	4670	0	4720

Note: Data in the "Old" column reflect FAS/Washington data. For Post's previous PS&D refer to report ID4014.

Production

Encouraged by a higher floor price (increased to Rp. 3,410/kg or US\$ 366.7/MT in 2004), sugarcane production is estimated to have increased considerably to 2.0 million tons in 2004/05 but forecast to decline to 1.8 million tons in 2005/06 to reflect the decline in local supplies of raw material. The GOI is expected to increase floor price to Rp. 4,000/kilogram or US\$ 430.1/MT before the upcoming cane-planting season started in May. The sugar recovery rate is estimated to be 7.7 percent in 2004/05.

With 46 state sugar mills and 2 private mills, The island of Java contributes 63 percent of sugar production. In terms of ownership, state owned sugar mills (46 in Java and 5 out of Java) account for 68 percent of Indonesia's sugar production.

Consumption

Total annual sugar consumption is estimated to increase moderately from 3.6 million tons in 2004/05 to around 3.8 million tons in 2005/06. Direct consumption of sugar is estimated at approximately 2.7 million tons per year, and the expanding food and beverage industries are responsible for the balance of consumption.

Raw sugar import allocation will soon be announced for the four existing sugar refineries. Total installed refinery capacity for those four facilities is 1.3 million tons, but they are reportedly running at much less than full capacity.

Stocks

Ending stocks are forecast to decline slightly to 900,000 tons in 2005/06.

Prices

The industry has proposed to the GOI to increase sugar floor prices (the price received by farmers) from the current level of Rp. 3,410/kg (US\$ 366.7/MT at an exchange rate of Rp. 9,300/US\$1) to Rp. 4,000/kg (US\$ 430.1/MT). The average retail price for local sugar was Rp. 4,300/kg or US\$ 462.4/MT during 2004, compared to imported sugar, which was Rp. 4,105/kg (US\$ 441.4/MT). Responding to increasing domestic fuel price, local sugar price in 2005 (Jakarta) has increased to Rp. 5,260/kilogram (US\$ 565.6/MT). It is expected that sugar prices in the local market will decline with the start of the milling season.

Trade

To control imports, the Minister of Trade (MOT) grants import licenses to selected sugar mills for specific quantities, ports, and times of delivery. Imports are only allowed outside of the milling season. In 2005, four state sugar mills have been licensed to import 500,000 tons of white sugar: 300,000 tons for Jan-Feb, and 200,000 tons for Feb-March. However, because the import quotas were not filled (due to difficulties on funding and transportation), the time frame has been extended until April 20 (Java) and April 31 (outside of Java).

Policy

Indonesian sugar policy resides with four different ministries: Agriculture, Trade, Industry and Finance. As a consequence of the diffuse policy responsibilities and often competing interests of the various ministries and their respective constituents, policy formulation often

appears arbitrary, uncoordinated and non-transparent. To date the new GOI, installed in October 2004, has yet to provide much in the way of focus for the industry as a whole. It is unclear when or if substantive changes may be proposed, and which direction that Indonesian sugar policy might take should consensus be found.

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